Norsk RegnskapsStiftelse

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UK

Cc: EFRAG

Oslo, November 29, 2012

Dear Sir/Madam

Request for Information: *Comprehensive Review of the IFRS for SMEs*

We appreciate the opportunity to comment on the Request for Information *Comprehensive Review of the IFRS for SMEs*. This letter expresses the views of the Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board – the NASB). The cover letter provides a general discussion of the main areas that we would like to emphasize. We have also included the "response document for respondents" as an appendix with our responses to the specific areas the IASB has requested comments.

1 SCOPE

The current scope excludes all entities which meet the definition of public accountability. All other types of entities that publish general purpose financial statements for external users are included irrespective of their size. We support the current scope.

Publicly traded entities and financial institutions

Currently, the *IFRS for SME's* prohibits both entities whose debt or equity instruments are traded in a public market and entities that hold assets in a fiduciary capacity for a broad group of outsiders from using the standard. The IASB has requested comments on whether governments and regulatory authorities in each individual jurisdiction should decide whether some publicly traded entities and financial institutions should be eligible to use the *IFRS for SM*E's on the basis of an assessment of public interest, the needs of investors in their jurisdictions and the capabilities of such entities to implement full IFRS.

Such entities should not be eligible to use *IFRS for SMEs*. In the basis for conclusions, the IASB acknowledges that users of financial statements of SMEs may have different information needs than users of financial statements of publicly accountable entities. This fundamental basis is reflected in the requirements of the *IFRS for SME*s which facilitates simplification in a tailored GAAP regime.

Investors and other stakeholders of publicly accountable entities have more comprehensive needs for information in order to understand the underlying transactions. Furthermore, comparability between publicly accountable entities is very important. In light of this, such entities should apply the same principles and provide the same level of information for the same type of transactions or circumstances regardless of the entity's size. Full IFRS has been developed to meet the information needs of the users of these entities financial information. Full IFRS may be viewed as complicated and burdensome for small or medium sized publicly accountable entities. However, small and medium sized entities are usually less complex and thus applying full IFRS will normally be less burdensome than for larger entities.

Changing the scope of the *IFRS for SME*s by allowing small entities that are traded in a public market or financial institutions to use it will most likely make it necessary to introduce significant amendments to the standard to ensure that users of financial statements of these entities receive sufficient information to address their needs. These amendments would most likely affect the relationship between cost and benefits and result in less simplification for other entities within the scope of *IFRS for SMEs*.

We fully support IASB's conclusions in BC 76-77. Full IFRSs are appropriate for entities with public accountability. Jurisdictions that find *IFRS for SME*s appropriate for some publicly accountable entities could incorporate *IFRS for SMEs* into national standards described as conforming to national GAAP, not *IFRS for SMEs*.

Not-for profit
Some interested parties have asked whether soliciting and accepting contributions would automatically make a not-for-profit entity publicly accountable. NASB does not see why this would be the case. Paragraph 1.4 of the *IFRS for SME*'s already addresses this issue by stating that the fact that some entities may also hold assets in a fiduciary capacity for a broad group of outsiders because they hold and manage financial resources entrusted to them does not make them publicly accountable. NASB agrees with this paragraph. An assessment of whether a not-for-profit entity has public accountability should be based on other factors. We do not see a need to revise the *IFRS for SMEs*.

Full IFRS Preface 9 states that full IFRS is for profit oriented entities. If the scope of *IFRS for SME's* is changed to exclude not-for-profit entities, these entities would not qualify to use any set of standards issued by the IASB. The fact that there are no special considerations in *IFRS for SMEs* for not-for-profit entities does not imply that the standard is inappropriate for such entities. In our opinion, the IASB should not exclude not-for-profit entities from using *IFRS for SMEs* on a general basis. Individual companies should do an assessment on a case by case basis to determine if it is appropriate to apply *IFRS for SMEs*. Alternatively, individual jurisdictions can regulate through local law whether or not the option to use *IFRS for SMEs* should be prohibited.

Continued focus on simplification and user needs for non-publicly accountable entities
In future development and maintenance of the standard, the IASB should continue to focus on user needs and cost-benefit analyses for entities that do not meet the definition of public accountability. If the scope is opened to include entities with public accountability, the NASB considers it likely that the IASB inevitably would have to consider the information needs of an extended user group. This could potentially result in less simplification.

In developing and maintaining the standard, the IASB should proceed without regards to e.g. subsidiaries of listed entities using full IFRS for their consolidated financial statements with possible needs to facilitate a smooth consolidation process by harmonizing accounting principles. Considering demands from more peripheral users with a desire for consistency with full IFRS will most likely end up in more complex and complicated requirements which increases cost for the majority of entities using *IFRS for SMEs*. Entities that prefer consistency with full IFRS will always be able to apply full IFRS.

Label of the standard
The label of the standard has been debated. We are still of the opinion that the label should emphasize the fact that the standard is not intended for entities that have public accountability and not focus on the size of the entities.

2 CHANGES IN *IFRS for SME*s - PRINCIPLES

In Part A, the IASB requests comments on whether any changes to the *IFRS for SME's* are needed as a result of requirements in four new or revised IFRS's published after July 2009. In addition, there are regularly changes to full IFRS, on both a large and small scale, and other matters may also result in amendments to the *IFRS for SMEs*. Both users and producers of financial statements would benefit from the IASB developing clear principles for assessing if and how any such amendments should be incorporated into *IFRS for SMEs*. Changes to full IFRS should be evaluated on a case by case basis in accordance with the overall principles for making changes to *IFRS for SMEs*. This would provide predictability for preparers and users, and companies will be able to plan for the coming changes more effectively. This would also reduce the extent of future discussions regarding potential changes and promote consistency in updates from period to period and from area to area.

BC 45 states that users may have different interests in the information in general purpose financial statements. The standard should provide requirements that are based on user needs and cost-benefit analyses for entities that do not meet the definition of public accountability, as explained above. This includes, among others, simplifications in relation to full IFRS. Changes to the current *IFRS for SMEs* should, as a starting point, promote simplification when compared to the current *IFRS for SMEs.* The benefit of extensive requirements is generally lower for SMEs than entities that have public accountability. We acknowledge that simplification cannot be the only consideration, but it should nevertheless be an important objective in applying the overall concepts and pervasive principles in *IFRS for SMEs.*

Changes to *IFRS for SMEs* should only be made if they are assessed to be appropriate in relation to the following considerations:

- A change should give a different answer than under the current standard. When a new solution in full IFRS is already within the room for interpretation and does not impact interpretation of definitions, solutions, etc., these changes are not to be implemented in *IFRS for SMEs*.

- For a change to be implemented in *IFRS for SMEs*, there must be a conclusion based on an overall assessment that the change will lead to better information or simplification.
- Since every change has a cost aspect, such costs should be weighed up against the benefit for users.

If present regulation gives unexpected or unacceptable solutions, clarifications or changes should be made. This includes changes to eliminate unintended consequences, conflicts or oversights.

The intention with *IFRS for SMEs* was, among others, to develop a principle-based standard that provides room for interpretation. Our understanding is that the room for interpretation is wider than under full IFRS. As the *IFRS for SMEs* is based on the same pervasive principles as full IFRS, we acknowledge that implementing amendments to full IFRS into the *IFRS for SMEs* might be justified to a certain degree. NASB believes the *IFRS for SMEs* should not be changed unless fundamental changes to the requirements under full IFRS justifies either reducing the room for interpretation under *IFRS for SMEs* or changing the standard as such. The assessment should be based on a cost-benefit analysis.

Alignment with full IFRS is not, and should not in itself be an objective. BC 83 clearly states that *IFRS for SMEs* is a stand-alone document and does not have any mandatory requirements to look to full IFRSs. The balancing of cost-benefit and user needs may result in a continuous increase in the degree of differences between *IFRS for SMEs* and full IFRS. We do not regard this as a general disadvantage, but as a consequence of different starting points and objectives in standard setting. Reasoned differences from changes in full IFRS can also increase the understanding that *IFRS for SMEs* is a stand-alone set of rules, and for example, can give more room for interpretation than under full IFRS.

Timing
The tentative plan stated in P17, publishing changes every three years, is appropriate. Entities that are not publicly accountable do not require updates as timely as entities that are publicly accountable. Changes to *IFRS for SME's* are generally more challenging to handle for these preparers than for preparers of full IFRS financial statements. More frequent changes should be avoided as far as possible. We believe this view is consistent with user needs and cost-benefit considerations. The following principles should be considered in determining the timing of changes based on changes in full IFRS:

- *IFRS for SMEs* should normally not be changed based on changes in full IFRS that have not yet been implemented.
- The IASB should wait until the new standards have been implemented for a period and there is practical experience with their use, and then perform an analysis of whether the changes are in line with the primary objective of *IFRS for SME's*. With regards to more significant changes to the IFRS standards, the analysis could be performed in connection with a "post-implementation review".

- Minor improvements such as unintended consequences, conflicts or oversights should be implemented into *IFRS for SMEs* under the same cycle.

3 DUE PROCESS

We suggest that the IASB addresses due process issues for the *IFRS for SMEs* explicitly in the "Due Process Handbook for the IASB" and/or develops a separate document describing the Due Process for changes to the *IFRS for SME's*.

4 OPTIONS

Full IFRS includes accounting policy options for certain areas. Some argue that elimination of options for SMEs would be a simplification for these entities and increase comparability. In general the NASB agrees, but simplification by reducing options is not necessarily considered a benefit for all entities and situations, sometimes on the contrary. Comparability is a less important characteristic for financial statements of entities without public accountability and reducing comparability can be justified when a cost-benefit approach is taken. That said, we are not in favor of extensive options but acknowledge that there are situations where options should be included.

Introducing options may be beneficial despite the fact that one option may be more complicated and costly than others. Not having the possibility to apply a more complicated principle may increase other costs such as capital cost and reduce the value of information given.

Rather than options, the standard introduces restricted/conditional alternatives. The concept of "undue cost or effort" provides conditional alternatives that entities may use e.g. the cost model for valuation of investment properties (*IFRS for SMEs* paragraph 16.7) and for valuation of biological assets (*IFRS for SME*s paragraph 34.2) for which fair value is not readily determinable without "undue cost or effort". "Undue cost or effort" is a term that is used in several sections in *IFRS for SMEs*, and according to Q&A 2012/01 point 2 the term is deliberately not defined.

Evaluating the benefits to the user is a complicated assessment. This evaluation must, among other, include evaluating the increased benefits of applying the fair value model as opposed to the cost model, considering who the users of the financial statements are and how they use the information provided. Entities that issue financial statements in accordance with *IFRS for SMEs* must evaluate the benefits in a cost-benefit analysis in accordance with the pervasive principles of *IFRS for SMEs* and also under the undue cost or effort dimension. Even though the "undue cost or effort" exception is meant to be a simplification, it is a difficult assessment to implement in practice. Eliminating the concept of "undue cost or effort" and introducing unconditional options would provide a simplification for entities preparing financial statements under *IFRS for SMEs*. Introducing an unconditional option between the cost model and fair value model for investment properties and biological assets without requiring consideration of "undue cost or effort" is in our opinion a better approach for the *IFRS for SMEs*.

Excluding alternatives
In some areas, options in full IFRS are excluded in *IFRS for SMEs*. If options are excluded to facilitate simplification we find it difficult to justify why *IFRS for SMEs* should retain the more complicated alternative within full IFRS and reject a simpler solution, when both alternatives are acceptable under full IFRS. In such cases, the consequence of excluding options should be that the simpler solution is used in the *IFRS for SMEs*.

Investment property and biological assets
In accordance with *IFRS for SMEs*, investment properties and biological assets should be accounted for at fair value when fair value is readily determinable without undue cost or effort. Use of fair value is generally a more complicated solution compared to the cost model and is not necessarily justified by a corresponding benefit to the user. Fair values are generally not straight forward and require significant judgment, and as such the cost involved in obtaining or calculating fair values for investment properties and biological assets can be significant. The standard already provides an undue cost or effort exemption which, in our view, is an indication that the IASB acknowledges that the fair value requirement can be burdensome. By allowing the cost model as an option to the fair value model, entities would have the ability to avoid subjective and costly assessments.

The existing exemption with reference to undue cost or effort can result in less comparability between entities. Introducing an unconditional option may increase the number of entities using the cost model and as such result in even less comparability. On the other hand, entities will be relieved from a potentially complicated and costly undue-cost-or-effort-assessment. Undue cost or effort incorporates significant room for interpretation and, as such, affects comparability. Introducing unconditional options will probably not reduce comparability any further.

We recommend that the IASB implement the cost model as an equal alternative to the fair value model with respect to investment properties and biological assets. If our recommendation on introducing options is rejected, the cost model should be the only method based on simplification considerations.

Development costs and capitalization of borrowing costs
Requiring capitalization of development costs to be consistent with IAS 38 generally is a requirement that is more complicated than the current requirement under *IFRS for SMEs*. This also applies to a proposed requirement to capitalize borrowing costs that are directly attributable to the acquisition, construction and production of qualifying assets consistent with IAS 23. Changing *IFRS for SME's* to require a more complicated solution only to avoid the possibility of an option, is not an appropriate response to the information needs for users of financial statements in accordance with *IFRS for SMEs*. Our preference is that an option of either capitalization or expensing development costs/borrowing costs is introduced. If a company prefers to evaluate the criteria for capitalization of development costs or capitalize borrowing costs, it should have the option to do so. If our recommendation of providing options is rejected, expensing developments costs and borrowing costs should be the only model.

Please do not hesitate to contact us if you would like us to elaborate or clarify any of the issues discussed.

Yours faithfully,

Elisabet Ekberg
Chair of the Accounting Standards Board of Norsk RegnskapsStiftelse

Response document for respondents

Instructions for completion

The IASB has published this separate Microsoft Word® document for respondents to use for submitting their comments if they wish to do so. This document presents all of the questions in Parts A and B of the Invitation to Comment in a table with boxes for respondents to fill in with their chosen response from the options provided by the questions, and their reasoning. Respondents are encouraged to complete this document electronically, rather than manually, so the rows in the table can expand to accommodate detailed reasoning.

Many respondents will find this the easiest way to submit their comments and submissions, and submitting comments in this form will also help IASB staff to analyse them. However, respondents are not required to use this document and responses will be accepted in all formats. For example, respondents may prefer to address selected issues in their own format.

Part A: Specific questions on Sections 1-35 of the *IFRS for SMEs*

Name of Submitter: Signe Moen
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Ref	**Question**	**Response** (Please indicate your response a, b, c, etc)	**Reasoning** (Please give clear reasoning to support your response)
S1	**Use by publicly traded entities (Section 1)** The *IFRS for SMEs* currently prohibits an entity whose debt or equity instruments are traded in a public market from using the *IFRS for SMEs* (paragraph 1.3(a)). The IASB concluded that all entities that choose to enter a public securities market become publicly accountable and, therefore, should use full IFRSs. Some interested parties believe that governments and regulatory authorities in each individual jurisdiction should decide whether some publicly traded entities should be eligible to use the *IFRS for SMEs* on the basis of their assessment of the public interest, the needs of investors in their jurisdiction and the capabilities of those publicly traded companies to implement full IFRSs.	(a)	No—do not change the current requirements. Continue to prohibit an entity whose debt or equity instruments trade in a public market from using the *IFRS for SMEs*. Refer to the overall discussion in the cover letter regarding the scope.

	Are the scope requirements of the *IFRS for SMEs* currently too restrictive for publicly traded entities? (a) No—do not change the current requirements. Continue to prohibit an entity whose debt or equity instruments trade in a public market from using the *IFRS for SMEs*. (b) Yes—revise the scope of the *IFRS for SMEs* to permit each jurisdiction to decide whether entities whose debt or equity instruments are traded in a public market should be permitted or required to use the *IFRS for SMEs*. (c) Other—please explain. Please provide reasoning to support your choice (a), (b) or (c).		
S2	**Use by financial institutions (Section 1)** The *IFRS for SMEs* currently prohibits financial institutions and other entities that hold assets for a broad group of outsiders as one of their primary businesses from using the *IFRS for SMEs* (paragraph 1.3(b)). The IASB concluded that standing ready to take and hold funds from a broad group of outsiders makes those entities publicly accountable and, therefore, they should use full IFRSs. In every jurisdiction financial institutions are subject to	(c)	Other—please explain. Refer to the overall discussion regarding the scope.

	regulation. In some jurisdictions, financial institutions such as credit unions and micro banks are very small. Some believe that governments and regulatory authorities in each individual jurisdiction should decide whether some financial institutions should be eligible to use the *IFRS for SMEs* on the basis of their assessment of the public interest, the needs of investors in their jurisdiction and the capabilities of those financial institutions to implement full IFRSs. **Are the scope requirements of the *IFRS for SMEs* currently too restrictive for financial institutions and similar entities?** (a) No—do not change the current requirements. Continue to prohibit all financial institutions and other entities that hold assets for a broad group of outsiders as one of their primary businesses from using the *IFRS for SMEs*. (b) Yes—revise the scope of the *IFRS for SMEs* to permit each jurisdiction to decide whether any financial institutions and other entities that hold assets for a broad group of outsiders as one of their primary businesses should be permitted or required to use the *IFRS for SMEs*.		

	(c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c).		
S3	**Clarification of use by not-for-profit entities (Section 1)** The *IFRS for SMEs* is silent on whether not-for-profit (NFP) entities (eg charities) are eligible to use the *IFRS for SMEs*. Some interested parties have asked whether soliciting and accepting contributions would automatically make an NFP entity publicly accountable. The *IFRS for SMEs* specifically identifies only two types of entities that have public accountability and, therefore, are not eligible to use the *IFRS for SMEs*: • those that have issued debt or equity securities in public capital markets; and • those that hold assets for a broad group of outsiders as one of their primary businesses. **Should the *IFRS for SMEs* be revised to clarify whether an NFP entity is eligible to use it?** (a) Yes—clarify that soliciting and accepting contributions does not automatically make an NFP entity publicly accountable. An NFP entity can use the *IFRS for SMEs* if it otherwise qualifies under	(c)	No—do not revise the *IFRS for SMEs* for this issue. Refer to the overall discussion regarding the scope.

	Section 1. (b) Yes—clarify that soliciting and accepting contributions will automatically make an NFP entity publicly accountable. As a consequence, an NFP entity cannot use the *IFRS for SMEs*. (c) No—do not revise the *IFRS for SMEs* for this issue. (d) Other—please explain. Please provide reasoning to support your choice of (a), (b), (c) or (d).		
S4	**Consideration of recent changes to the consolidation guidance in full IFRSs (Section 9)** The *IFRS for SMEs* establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. This is consistent with the current approach in full IFRSs. Recently, full IFRSs on this topic have been updated by IFRS 10 *Consolidated Financial Statements*, which replaced IAS 27 *Consolidated and Separate Financial Statements* (2008). IFRS 10 includes additional guidance on applying the control principle in a number of situations, with the intention of avoiding divergence in practice. The guidance will generally affect borderline cases where it is difficult to establish if an	(c)	Other – please explain. The *IFRS for SME*s should not be changed on the basis of IFRS 10 at this point. Refer to our overall discussion on changes to *IFRS for SMEs*. An evaluation should be performed based on overall principles for making changes to *IFRS for SMEs*. Furthermore, changes to *IFRS for SMEs* should be evaluated based on practical experience with their use to determine whether the changes are in line with the primary objective of *IFRS for SME's*.

	entity has control (ie, most straightforward parent-subsidiary relationships will not be affected). Additional guidance is provided in IFRS 10 for: • agency relationships, where one entity legally appoints another to act on its behalf. This guidance is particularly relevant to investment managers that make decisions on behalf of investors. Fund managers and entities that hold assets for a broad group of outsiders as a primary business are generally outside the scope of the *IFRS for SMEs*. • control with less than a majority of the voting rights, sometimes called 'de facto control' (this principle is already addressed in paragraph 9.5 of the *IFRS for SMEs* but in less detail than in IFRS 10). • assessing control where potential voting rights exist, such as options, rights or conversion features that, if exercised, give the holder additional voting rights (this principle is already addressed in paragraph 9.6 of the *IFRS for SMEs* but in less detail than in IFRS 10). The changes above will generally mean that more judgement needs to be applied in borderline cases and where more complex relationships exist.		

	Should the changes outlined above be considered, but modified as appropriate to reflect the needs of users of SME financial statements and cost-benefit considerations? (a) No—do not change the current requirements. Continue to use the current definition of control and the guidance on its application in Section 9. They are appropriate for SMEs, and SMEs have been able to implement the definition and guidance without problems. (b) Yes—revise the *IFRS for SMEs* to reflect the main changes from IFRS 10 outlined above (modified as appropriate for SMEs). (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c).		
S5	**Use of recognition and measurement provisions in full IFRSs for financial instruments (Section 11)** The *IFRS for SMEs* currently permits entities to choose to apply either (paragraph 11.2): • the provisions of both Sections 11 and 12 in full; or • the recognition and measurement provisions of IAS 39 *Financial Instruments: Recognition and Measurement* and the disclosure	(c)	Other—please explain The reasons for permitting a fallback to full IFRS are still valid (BC106) thus SMEs should be permitted to have the same accounting policy as in full IFRS for financial instruments. Such a fallback should refer to the current IFRS, and the option to apply IAS 39 should be replaced with an option to apply IFRS 9 at

	requirements of Sections 11 and 12. In paragraph BC106 of the Basis for Conclusions issued with the *IFRS for SMEs*, the IASB lists its reasons for providing SMEs with the option to use IAS 39. This is the only time that the *IFRS for SMEs* specifically permits the use of full IFRSs. One of the main reasons for this option is that the IASB concluded that SMEs should be permitted to have the same accounting policy options as in IAS 39, pending completion of its comprehensive financial instruments project to replace IAS 39. That decision is explained in more detail in paragraph BC106. IAS 39 will be replaced by IFRS 9 *Financial Instruments*. Any amendments to the *IFRS for SMEs* from this comprehensive review would most probably be effective at a similar time to the effective date of IFRS 9. The *IFRS for SMEs* refers specifically to IAS 39. SMEs are not permitted to apply IFRS 9. **How should the current option to use IAS 39 in the *IFRS for SMEs* be updated once IFRS 9 has become effective?** (a) There should be no option to use the recognition and measurement provisions in either IAS 39 or IFRS 9. All SMEs must follow the financial instrument requirements in Sections 11 and 12 in full.		the same time as IFRS 9 supersedes IAS 39 in full IFRS. The exact point in time for the replacement may be difficult to establish. In order to provide a practical solution, we propose a change of the wording in the *IFRS for SMEs* to refer to the recognition and measurement provisions of the current full IFRS instead of a reference to a specific standard (IAS 39 or IFRS 9). We support the possibility to combine recognition and measurement provisions of the current full IFRS and the disclosure requirements of the relevant sections in the *IFRS for SMEs*.

	(b) Allow entities the option of following the recognition and measurement provisions of IFRS 9 (with the disclosure requirements of Sections 11 and 12). (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c). **Note:** the purpose of this question is to assess your overall view on whether the fallback to full IFRSs in Sections 11 and 12 should be removed completely, should continue to refer to an IFRS that has been superseded, or should be updated to refer to a current IFRS. It does not ask respondents to consider whether any of the recognition and measurement principles of IFRS 9 should result in amendments of the *IFRS for SMEs* at this stage, because the IASB has several current agenda projects that are expected to result in changes to IFRS 9 (see paragraph 13 of the Introduction to this Request for Information).		
S6	**Guidance on fair value measurement for financial and non-financial items (Section 11 and other sections)** Paragraphs 11.27–11.32 of the *IFRS for SMEs* contain guidance on fair value measurement. Those paragraphs are written within the context of	(c)	Other – please explain. The IFRS for SMEs should not be changed on the basis of IFRS 13 at this point. Refer to our overall discussion on changes to *IFRS for SM*Es. We believe

	financial instruments. However, several other sections of the *IFRS for SMEs* make reference to them, for example, fair value model for associates and jointly controlled entities (Sections 14 and 15), investment property (Section 16) and fair value of pension plan assets (Section 28). In addition, several other sections refer to fair value although they do not specifically refer to the guidance in Section 11. There is some other guidance about fair value elsewhere in the *IFRS for SMEs*, for example, guidance on fair value less costs to sell in paragraph 27.14. Recently the guidance on fair value in full IFRSs has been consolidated and comprehensively updated by IFRS 13 *Fair Value Measurement*. Some of the main changes are: • an emphasis that fair value is a market-based measurement (not an entity-specific measurement); • an amendment to the definition of fair value to focus on an exit price (fair value is defined in IFRS 13 as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”); and • more specific guidance on determining fair value, including		an evaluation should be performed based on overall principles for making changes to *IFRS for SMEs*. Furthermore changes to *IFRS for SMEs* should be evaluated based on practical experience with their use to determine whether the changes are in line with the primary objective of *IFRS for SMEs*.

	assessing the highest and best use of non-financial assets and identifying the principal market. The guidance on fair value in Section 11 is based on the guidance on fair value in IAS 39. The IAS 39 guidance on fair value has been replaced by IFRS 13. In straightforward cases, applying the IFRS 13 guidance on fair value would have no impact on the way fair value measurements are made under the *IFRS for SMEs*. However, if the new guidance was to be incorporated into the *IFRS for SMEs*, SMEs would need to re-evaluate their methods for determining fair value amounts to confirm that this is the case (particularly for non-financial assets) and use greater judgement in assessing what data market participants would use when pricing an asset or liability. **Should the fair value guidance in Section 11 be expanded to reflect the principles in IFRS 13, modified as appropriate to reflect the needs of users of SME financial statements and the specific circumstances of SMEs (for example, it would take into account their often more limited access to markets, valuation expertise, and other cost-benefit considerations)?**		

	(a) No—do not change the current requirements. The guidance for fair value measurement in paragraphs 11.27–11.32 is sufficient for financial and non-financial items. (b) Yes—the guidance for fair value measurement in Section 11 is not sufficient. Revise the *IFRS for SMEs* to incorporate those aspects of the fair value guidance in IFRS 13 that are important for SMEs, modified as appropriate for SMEs (including the appropriate disclosures). (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c). **Note:** an alternative is to create a separate section in the *IFRS for SMEs* to deal with guidance on fair value that would be applicable to the entire *IFRS for SMEs*, rather than leaving such guidance in Section 11. This is covered in the following question (question S7).		
S7	Positioning of fair value guidance in the Standard (Section 11) As noted in question S6, several sections of the IFRS for SMEs (covering both financial and non-financial items) make reference to the fair value guidance in Section 11.	(b)	Yes—move the guidance from Section 11 into a separate section on fair value measurement. We support a separate section with fair value guidance as this would enhance the user friendliness of the *IFRS*

	Should the guidance be moved into a separate section? The benefit would be to make clear that the guidance is applicable to all references to fair value in the IFRS for SMEs, not just to financial instruments. (a) No—do not move the guidance. It is sufficient to have the fair value measurement guidance in Section 11. (b) Yes—move the guidance from Section 11 into a separate section on fair value measurement. (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c). Note: please answer this question regardless of your answer to question S6.		*for SMEs.*
S8	Consideration of recent changes to accounting for joint ventures in full IFRSs (Section 15) Recently, the requirements for joint ventures in full IFRSs have been updated by the issue of IFRS 11 Joint Arrangements, which replaced IAS 31 Interests in Joint Ventures. A key change resulting from IFRS 11 is to classify and account for a joint arrangement on the basis of the parties' rights and obligations under the arrangement. Previously under IAS 31,	(c)	Other – please explain. The *IFRS for SMEs* should not be changed on the basis of IFRS 11 at this point. Refer to our overall discussion on changes to *IFRS for SMEs*. The NASB believes an evaluation should be performed based on overall principles for making changes to *IFRS for SMEs*. Furthermore, changes to *IFRS for SMEs* should

	the structure of the arrangement was the main determinant of the accounting (ie establishment of a corporation, partnership or other entity was required to account for the arrangement as a jointly-controlled entity). In line with this, IFRS 11 changes the definitions and terminology and classifies arrangements as either joint operations or joint ventures. Section 15 is based on IAS 31 except that Section 15 (like IFRS 11) does not permit proportionate consolidation for joint ventures, which had been permitted by IAS 31. Like IAS 31, Section 15 classifies arrangements as jointly controlled operations, jointly controlled assets or jointly controlled entities. If the changes under IFRS 11 described above were adopted in Section 15, in most cases, jointly controlled assets and jointly controlled operations would become joint operations, and jointly controlled entities would become joint ventures. Consequently, there would be no change to the way they are accounted for under Section 15. However, it is possible that, as a result of the changes, an investment that previously met the definition of a jointly controlled entity would become a joint operation. This is because the existence of a separate legal vehicle is no longer the main factor in classification. Should the changes above to joint venture accounting in full IFRSs be		be evaluated based on practical experience with their use to determine whether the changes are in line with the primary objective of *IFRS for SMEs*.

	reflected in the IFRS for SMEs, modified as appropriate to reflect the needs of users of SME financial statements and cost-benefit considerations? (a) No—do not change the current requirements. Continue to classify arrangements as jointly controlled assets, jointly controlled operations and jointly controlled entities (this terminology and classification is based on IAS 31 Interests in Joint Ventures). The existing Section 15 is appropriate for SMEs, and SMEs have been able to implement it without problems. (b) Yes—revise the IFRS for SMEs so that arrangements are classified as joint ventures or joint operations on the basis of the parties' rights and obligations under the arrangement (terminology and classification based on IFRS 11 Joint Arrangements, modified as appropriate for SMEs). (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c). Note: this would not change the accounting options available for jointly-controlled entities meeting the criteria to be joint ventures (ie cost model, equity method and fair value model).		
S9	Revaluation of property, plant and equipment (Section 17)	(c)	Our national regulations do not allow this solution.

	The IFRS for SMEs currently prohibits the revaluation of property, plant and equipment (PPE). Instead, all items of PPE must be measured at cost less any accumulated depreciation and any accumulated impairment losses (cost-depreciation-impairment model—paragraph 17.15). Revaluation of PPE was one of the complex accounting policy options in full IFRSs that the IASB eliminated in the interest of comparability and simplification of the IFRS for SMEs. In full IFRSs, IAS 16 Property, Plant and Equipment allows entities to choose a revaluation model, rather than the cost-depreciation-impairment model, for entire classes of PPE. In accordance with the revaluation model in IAS 16, after recognition as an asset, an item of PPE whose fair value can be measured reliably is carried at a revalued amount—its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation increases are recognised in other comprehensive income and are accumulated in equity under the heading of 'revaluation surplus' (unless an increase reverses a previous revaluation decrease recognised in profit or loss for the same asset). Revaluation decreases that are in excess of prior increases are recognised in profit or loss. Revaluations must be made with sufficient		We have chosen to not answer this question.

	regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Should an option to use the revaluation model for PPE be added to the IFRS for SMEs? (a) No—do not change the current requirements. Continue to require the cost-depreciation-impairment model with no option to revalue items of PPE. (b) Yes—revise the IFRS for SMEs to permit an entity to choose, for each major class of PPE, whether to apply the cost-depreciation-impairment model or the revaluation model (the approach in IAS 16). (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c).		
S10	Capitalisation of development costs (Section 18) The IFRS for SMEs currently requires that all research and development costs be charged to expense when incurred unless they form part of the cost of another asset that meets the recognition criteria in the IFRS for SMEs (paragraph 18.14). The IASB reached that decision because many	(c)	NASB is of the opinion that options are not necessarily a disadvantage. Our preference is that there is an option of either capitalization or expensing development costs. If a company wants to evaluate the criteria for capitalization of development costs, NASB

	preparers and auditors of SME financial statements said that SMEs do not have the resources to assess whether a project is commercially viable on an ongoing basis. Bank lending officers told the IASB that information about capitalised development costs is of little benefit to them, and that they disregard those costs in making lending decisions. In full IFRSs, IAS 38 Intangible Assets requires that all research and some development costs must be charged to expense, but development costs incurred after the entity is able to demonstrate that the development has produced an asset with future economic benefits should be capitalised. IAS 38.57 lists certain criteria that must be met for this to be the case. IAS 38.57 states “An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following: • the technical feasibility of completing the intangible asset so that it will be available for use or sale. • its intention to complete the intangible asset and use or sell it. • its ability to use or sell the intangible asset. • how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a		believe that it should have the choice to do so. If our recommendation of providing options is rejected, expensing developments costs and borrowing costs should be the only method. Please refer to our discussion of options.

	market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset. • the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset. • its ability to measure reliably the expenditure attributable to the intangible asset during its development." Should the IFRS for SMEs be changed to require capitalisation of development costs meeting criteria for capitalisation (on the basis of on the criteria in IAS 38)? (a) No—do not change the current requirements. Continue to charge all development costs to expense. (b) Yes—revise the IFRS for SMEs to require capitalisation of development costs meeting the criteria for capitalisation (the approach in IAS 38). (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c).		
S11	Amortisation period for goodwill and other intangible assets (Section 18) Paragraph 18.21 requires an entity to amortise an intangible asset on a	(b)	Yes—modify paragraph 18.20 to establish a presumption of ten years that can be overridden if a

	systematic basis over its useful life. This requirement applies to goodwill as well as to other intangible assets (see paragraph 19.23(a)). Paragraph 18.20 states "If an entity is unable to make a reliable estimate of the useful life of an intangible asset, the life shall be presumed to be ten years." Some interested parties have said that, in some cases, although the management of the entity is unable to estimate the useful life reliably, management's judgement is that the useful life is considerably shorter than ten years. Should paragraph 18.20 be modified to state: "If an entity is unable to make a reliable estimate of the useful life of an intangible asset, the life shall be presumed to be ten years unless a shorter period can be justified"? (a) No—do not change the current requirements. Retain the presumption of ten years if an entity is unable to make a reliable estimate of the useful life of an intangible asset (including goodwill). (b) Yes—modify paragraph 18.20 to establish a presumption of ten years that can be overridden if a shorter period can be justified. (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c).		shorter period can be justified. The current rule is a simplification and not based on the overall concepts and pervasive principles of *IFRS for SMEs*,. It would be beneficial with a more flexible approach on how to determine the useful life of intangible assets (including goodwill). Management may consider the useful life to be shorter than ten years even though they cannot justify a precise estimate that is reliable.

S12	Consideration of changes to accounting for business combinations in full IFRSs (Section 19) The IFRS for SMEs accounts for all business combinations by applying the purchase method. This is similar to the 'acquisition method' approach currently applied in full IFRSs. Section 19 of the IFRS for SMEs is generally based on the 2004 version of IFRS 3 Business Combinations. IFRS 3 was revised in 2008, which was near the time of the release of the IFRS for SMEs. IFRS 3 (2008) addressed deficiencies in the previous version of IFRS 3 without changing the basic accounting; it also promoted international convergence of accounting standards. The main changes introduced by IFRS 3 (2008) that could be considered for incorporation in the IFRS for SMEs are: • A focus on what is given as consideration to the seller, rather than what is spent in order to acquire the entity. As a consequence, acquisition-related costs are recognised as an expense rather than treated as part of the business combination (for example, advisory, valuation and other professional and administrative fees). • Contingent consideration is recognised at fair value (without	(c)	Other – please explain. In our opinion the *IFRS for SMEs* should not be changed on the basis of IFRS 3 at this point. Refer to our overall discussion on changes to *IFRS for SMEs*. We believe an evaluation should be performed based on overall principles for making changes to *IFRS for SMEs* taking into consideration the results from the post-implementation review schedule for this year.

	regard to probability) and then subsequently accounted for as a financial instrument instead of as an adjustment to the cost of the business combination. • Determining goodwill requires remeasurement to fair value of any existing interest in the acquired company and measurement of any non-controlling interest in the acquired company. Should Section 19 be amended to incorporate the above changes, modified as appropriate to reflect the needs of users of SME financial statements and cost-benefit considerations? (a) No—do not change the current requirements. The current approach in Section 19 (based on IFRS 3 (2004)) is suitable for SMEs, and SMEs have been able to implement it without problems. (b) Yes—revise the IFRS for SMEs to incorporate the main changes introduced by IFRS 3 (2008), as outlined above and modified as appropriate for SMEs. (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c).		
S13	Presentation of share subscriptions receivable (Section 22)	(c)	Yes—add an additional option to paragraph 22.7(a) to

	Paragraph 22.7(a) requires that subscriptions receivable, and similar receivables that arise when equity instruments are issued before the entity receives the cash for those instruments, must be offset against equity in the statement of financial position, not presented as an asset. Some interested parties have told the IASB that their national laws regard the equity as having been issued and require the presentation of the related receivable as an asset. Should paragraph 22.7(a) be amended either to permit or require the presentation of the receivable as an asset? (a) No—do not change the current requirements. Continue to present the subscription receivable as an offset to equity. (b) Yes—change paragraph 22.7(a) to require that the subscription receivable is presented as an asset. (c) Yes—add an additional option to paragraph 22.7(a) to permit the subscription receivable to be presented as an asset, ie the entity would have a choice whether to present it as an asset or as an offset to equity. (d) Other—please explain. Please provide reasoning to support your choice of (a), (b), (c) or (d).		permit the subscription receivable to be presented as an asset, ie. the entity would have a choice whether to present it as an asset or as an offset to equity. One such option should be introduced if this is necessary for applying the *IFRS for SMEs* in various jurisdictions. This is a question of presentation in the balance sheet, and NASB believe there should be an opening for both solutions. The choice between net or gross should also be explained in the notes to the financial statements.

S14	Capitalisation of borrowing costs on qualifying assets (Section 25) The IFRS for SMEs currently requires all borrowing costs to be recognised as an expense when incurred (paragraph 25.2). The IASB decided not to require capitalisation of any borrowing costs for cost-benefit reasons, particularly because of the complexity of identifying qualifying assets and calculating the amount of borrowing costs eligible for capitalisation. IAS 23 Borrowing Costs requires that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (ie an asset that necessarily takes a substantial period of time to get ready for use or sale) must be capitalised as part of the cost of that asset, and all other borrowing costs must be recognised as an expense when incurred. Should Section 25 of the IFRS for SMEs be changed so that SMEs are required to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, with all other borrowing costs recognised as an expense when incurred? (a) No—do not change the current requirements. Continue to require all borrowing costs to be recognised as an expense when incurred.	(c)	Other-please explain. Our preference is that there is an option of either capitalization or expensing borrowing costs. If a company prefers to capitalize borrowing costs, NASB believes that it should have the choice to do so. If our recommendation of providing options is rejected, expensing borrowing costs should be the only method. Please refer to our discussion of options.

	(b) Yes—revise the IFRS for SMEs to require capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (the approach in IAS 23). (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c).		
S15	Presentation of actuarial gains or losses (Section 28) In accordance with the IFRS for SMEs, an entity is required to recognise all actuarial gains and losses in the period in which they occur, either in profit or loss or in other comprehensive income as an accounting policy election (paragraph 28.24). Recently, the requirements in full IFRSs have been updated by the issue of IAS 19 Employee Benefits (revised 2011). A key change as a result of the 2011 revisions to IAS 19 is that all actuarial gains and losses must be recognised in other comprehensive income in the period in which they arise. Previously, under full IFRSs, actuarial gains and losses could be recognised either in other comprehensive income or in profit or loss as an accounting policy election (and under the latter option there were a number of permitted methods for the timing of the recognition in profit or	(b)	Yes – revise the *IFRS for SMEs* so that an entity is required to recognise all actuarial gains and losses in other comprehensive income (ie removal of profit or loss option in paragraph 28.24). The modifications to IAS 19 have still not been applied and thus normally this should not result in any changes in the *IFRS for SMEs*. Removing the option to recognize actuarial gains and losses in the income statement will, however, not be complex nor provide additional cost. Reduction of options will increase the comparability between both SME enterprises and enterprises that are reporting under full IFRS, and increase user benefit at no extra cost. In spite of the fact that changes have not yet been applied, it is our opinion that this change

	loss). Section 28 is based on IAS 19 before the 2011 revisions, modified as appropriate to reflect the needs of users of SME financial statements and cost-benefit considerations. Removing the option for SMEs to recognise actuarial gains and losses in profit or loss would improve comparability between SMEs without adding any complexity. Should the option to recognise actuarial gains and losses in profit or loss be removed from paragraph 28.24? (a) No—do not change the current requirements. Continue to allow an entity to recognise actuarial gains and losses either in profit or loss or in other comprehensive income as an accounting policy election. (b) Yes—revise the IFRS for SMEs so that an entity is required to recognise all actuarial gains and losses in other comprehensive income (ie removal of profit or loss option in paragraph 28.24). (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c). Note: IAS 19 (revised 2011) made a number of other changes to full IFRSs. However, because Section 28 was simplified from the previous		should be implemented in the *IFRS for SMEs*. We emphasize that the changes should not be implemented effective immediately, but as part of the modifications to *IFRS for SMEs* conducted every three years.

	version of IAS 19 to reflect the needs of users of SME financial statements and cost-benefit considerations, the changes made to full IFRSs do not directly relate to the requirements in Section 28.		
S16	Approach for accounting for deferred income taxes (Section 29) Section 29 of the IFRS for SMEs currently requires that deferred income taxes must be recognised using the temporary difference method. This is also the fundamental approach required by full IFRSs (IAS 12 Income Taxes). Some hold the view that SMEs should recognise deferred income taxes and that the temporary difference method is appropriate. Others hold the view that while SMEs should recognise deferred income taxes, the temporary difference method (which bases deferred taxes on differences between the tax basis of an asset or liability and its carrying amount) is too complex for SMEs. They propose replacing the temporary difference method with the timing difference method (which bases deferred taxes on differences between when an item of income or expense is recognised for tax purposes and when it is recognised in profit or loss). Others hold the view that SMEs should recognise deferred taxes only for timing differences that are expected to reverse in the near future (sometimes	(a)	Yes - SMEs should recognise deferred income taxes using the temporary difference method (the approach currently used in both the *IFRS for SMEs* and full IFRS).

	called the 'liability method'). And still others hold the view that SMEs should not recognise any deferred taxes at all (sometimes called the 'taxes payable method'). Should SMEs recognise deferred income taxes and, if so, how should they be recognised? (a) Yes—SMEs should recognise deferred income taxes using the temporary difference method (the approach currently used in both the IFRS for SMEs and full IFRSs). (b) Yes—SMEs should recognise deferred income taxes using the timing difference method. (c) Yes—SMEs should recognise deferred income taxes using the liability method. (d) No—SMEs should not recognise deferred income taxes at all (ie they should use the taxes payable method), although some related disclosures should be required. (e) Other—please explain. Please provide reasoning to support your choice of (a), (b), (c), (d) or (e).		
S17	Consideration of IAS 12 exemptions from recognising deferred taxes and	(b)	Yes—revise Section 29 to conform it to the current

	other differences under IAS 12 (Section 29) In answering this question, please assume that SMEs will continue to recognise deferred income taxes using the temporary difference method (see discussion in question S16). Section 29 is based on the IASB's March 2009 exposure draft Income Tax. At the time the IFRS for SMEs was issued, that exposure draft was expected to amend IAS 12 Income Taxes by eliminating some exemptions from recognising deferred taxes and simplifying the accounting in other areas. The IASB eliminated the exemptions when developing Section 29 and made the other changes in the interest of simplifying the IFRS for SMEs. Some interested parties who are familiar with IAS 12 say that Section 29 does not noticeably simplify IAS 12 and that the removal of the IAS 12 exemptions results in more deferred tax calculations being required. Because the March 2009 exposure draft was not finalised, some question whether the differences between Section 29 and IAS 12 are now justified. Should Section 29 be revised to conform it to IAS 12, modified as appropriate to reflect the needs of the users of SME financial statements? (a) No—do not change the overall approach in Section 29.		IAS 12 (modified as appropriate for SMEs). Section 29 does not noticeably simplify IAS 12 and the removal of the IAS 12 exemptions results in more deferred tax calculations being required. Section 29 should be revised to conform to the current IAS 12 with a subsequent process to evaluate if additional exemptions which result in simplifications should be made. We refer to also our discussion regarding overall principles for making changes to *IFRS for SMEs*. Conclusions in relation to future changes to IAS 12 should only be made after overall principles for making changes to *IFRS for SMEs* are established.

	(b) Yes—revise Section 29 to conform it to the current IAS 12 (modified as appropriate for SMEs). (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c).		
S18	Rebuttable presumption that investment property at fair value is recovered through sale (Section 29) In answering this question, please also assume that SMEs will continue to recognise deferred income taxes using the temporary difference method (see discussion in question S16). In December 2010, the IASB amended IAS 12 to introduce a rebuttable presumption that the carrying amount of investment property measured at fair value will be recovered entirely through sale. The amendment to IAS 12 was issued because, without specific plans for the disposal of the investment property, it can be difficult and subjective to estimate how much of the carrying amount of the investment property will be recovered through cash flows from rental income and how much of it will be recovered through cash flows from selling the asset. Paragraph 29.20 currently states:	(b)	Yes - revise Section 29 to incorporate the exemption for investment property at fair value (the approach in IAS 12). Section 29 in general should be harmonised with the requirements in the current IAS 12 and we have not identified any strong arguments against the inclusion of the above mentioned exemption. We also refer to our discussion regarding overall principles for making changes to *IFRS for SMEs*. Conclusions in relation to future changes to IAS 12 should only be made after overall principles for making changes to *IFRS for SMEs* are established.

	"The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of the related assets and liabilities." Should Section 29 be revised to incorporate a similar exemption from paragraph 29.20 for investment property at fair value? (a) No—do not change the current requirements. Do not add an exemption in paragraph 29.20 for investment property measured at fair value. (b) Yes—revise Section 29 to incorporate the exemption for investment property at fair value (the approach in IAS 12). (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c). Note: please answer this question regardless of your answer to questions S16 and S17 above.		
S19	Inclusion of additional topics in the IFRS for SMEs The IASB intended that the 35 sections in the IFRS for SMEs would cover the kinds of transactions, events and conditions that are typically	(a)	

	encountered by most SMEs. The IASB also provided guidance on how an entity's management should exercise judgement in developing an accounting policy in cases where the IFRS for SMEs does not specifically address a topic (see paragraphs 10.4–10.6). Are there any topics that are not specifically addressed in the IFRS for SMEs that you think should be covered (ie where the general guidance in paragraphs 10.4–10.6 is not sufficient)? (a) No. (b) Yes (please state the topic and reasoning for your response). Note: this question is asking about topics that are not currently addressed by the IFRS for SMEs. It is not asking which areas of the IFRS for SMEs require additional guidance. If you think more guidance should be added for a topic already covered by the IFRS for SMEs, please provide your comments in response to question S20.		
S20	Opportunity to add your own specific issues Are there any additional issues that you would like to bring to the IASB's attention on specific requirements in the sections of the IFRS for SMEs? (a) No.	(b)	Yes, the NASB would like to highlight the following issues: Section 9 Consolidated and Separate Financial Statements

	(b) Yes (please state your issues, identify the section(s) to which they relate, provide references to paragraphs in the IFRS for SMEs where applicable and provide separate reasoning for each issue given).		Paragraph 9.16 states that the statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall be prepared as of the same reporting date unless it is impracticable to do so. In our opinion the “impracticable” criteria for deviation from uniform reporting dates is unnecessarily strict for preparation of consolidated financial statements for groups falling within the SME category. We propose that a deviation in reporting dates for a period of up to three months should be allowed. Section 22 Liabilities and Equity Paragraph 22.8 states than an entity shall measure the equity instruments at the fair value of the cash of other resources received or receivable, net of direct cost of issuing the equity instruments. Equity instruments issued due to a business combination under common control are not scoped out of this section. In Norway,

			many business combinations are organized as mergers, where the consideration given is equity instruments issued by the acquirer. Under Norwegian GAAP, the pooling method is used if these mergers are between entities under common control. Accounting for the net assets received at book value, while measuring the equity instruments issued at fair value creates a technical difference in accounting for the acquisition. We propose to exempt business combination under common control from the scope of this paragraph. Paragraph 22.18 incorporates the conclusion of IFRIC 17 but not the scope. An important exception from the scope of IFRIC 17 is distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. Such distributions are inside the scope of paragraph 22.18. This creates a difference between full IFRS and *IFRS for SMEs* that we cannot see is justified.

			While paragraph 2.18 of the *IFRS for SMEs* incorporates the conclusion of IFRIC 17, it should also have the same scope as IFRIC 17. We therefore propose to modify the scope so it does not include distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution.

Part B: General questions

Ref	General Questions	Response (Please indicate your response a, b, c, etc)	Reasoning (Please give clear reasoning to support your response)
G1	Consideration of minor improvements to full IFRSs The IFRS for SMEs was developed from full IFRSs but tailored for SMEs. As a result, the IFRS for SMEs uses identical wording to full IFRSs in many places. The IASB makes ongoing changes to full IFRSs as part of its Annual Improvements project as well as during other projects. Such amendments may clarify guidance and wording, modify definitions or make other relatively minor amendments to full IFRSs to address unintended consequences, conflicts or oversights. For more information, the IASB web pages on its Annual Improvements project can be accessed on the following link: http://go.ifrs.org/AI	(c)	The IASB should develop clear principles for assessing how any such improvements should be incorporated. See overall discussion on changes to *IFRS for SMEs*.

	Some believe that because those changes are intended to improve requirements, they should naturally be incorporated in the IFRS for SMEs where they are relevant. Others note that each small change to the IFRS for SMEs would unnecessarily increase the reporting burden for SMEs because SMEs would have to assess whether each individual change will affect its current accounting policies. Those who hold that view concluded that, although the IFRS for SMEs was based on full IFRSs, it is now a separate Standard and does not need to reflect relatively minor changes in full IFRSs. How should the IASB deal with such minor improvements, where the IFRS for SMEs is based on old wording from full IFRSs? (a) Where changes are intended to improve requirements in full IFRSs and there are similar wordings and requirements in the IFRS for SMEs, they should be incorporated in the (three-yearly) omnibus exposure draft of changes to the IFRS for SMEs. (b) Changes should only be made where there is a known problem for SMEs, ie there should be a rebuttable presumption that changes should not be incorporated in the IFRS for SMEs. (c) The IASB should develop criteria for assessing how any such		

	improvements should be incorporated (please give your suggestions for the criteria to be used). (d) Other—please explain. Please provide reasoning to support your choice of (a), (b), (c) or (d).		
G2	**Further need for Q&As** One of the key responsibilities of the SMEIG has been to consider implementation questions raised by users of the *IFRS for SMEs* and to develop proposed non-mandatory guidance in the form of questions and answers (Q&As). These Q&As are intended to help those who use the *IFRS for SMEs* to think about specific accounting questions. The SMEIG Q&A programme has been limited. Only seven final Q&A have been published. Three of those seven deal with eligibility to use the *IFRS for SMEs*. No additional Q&As are currently under development by the SMEIG. Some people are of the view that, while the Q&A programme was useful when the *IFRS for SMEs* was first issued so that implementation questions arising in the early years of application around the world could be dealt with, it is no longer needed. Any new issues that arise in the future can be	(b)	No - the current Q&A programme has served its purpose and should not be continued. NASB believes issues arising in the future should be dealt with through a formal process of proposed amendments to the *IFRS for SMEs*, as we believe dealing with these issues requires an appropriate due process. To the extent the IASB wishes to highlight a number of possible solutions to issues raised, we believe these could be incorporated into the training material and duly identified as possible solutions and not interpretations as such.

	addressed in other ways, for example through education material or by future three-yearly updates to the *IFRS for SMEs*. Many who hold this view think that an ongoing programme of issuing Q&As is inconsistent with the principle-based approach in the *IFRS for SMEs*, is burdensome because Q&As are perceived to add another set of rules on top of the *IFRS for SMEs*, and has the potential to create unnecessary conflict with full IFRSs if issues overlap with issues in full IFRSs. Others, however, believe that the volume of Q&As issued so far is not excessive and that the non-mandatory guidance is helpful, and not a burden, especially to smaller organisations and in smaller jurisdictions that have limited resources to assist their constituents in implementing the *IFRS for SMEs*. Furthermore, in general, the Q&As released so far provide guidance on considerations when applying judgement, rather than creating rules. **Do you believe that the current, limited programme for developing Q&As should continue after this comprehensive review is completed?** (a) Yes—the current Q&A programme should be continued. (b) No—the current Q&A programme has served its purpose and should not be continued.		

	(c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c).		
G3	**Treatment of existing Q&As** As noted in question G2, there are seven final Q&As for the *IFRS for SMEs*. This comprehensive review provides an opportunity for the guidance in those Q&As to be incorporated into the *IFRS for SMEs* and for the Q&As to be deleted. Non-mandatory guidance from the Q&As will become mandatory if it is included as requirements in the *IFRS for SMEs*. In addition, any guidance may need to be incorporated in the *IFRS for SMEs* in a reduced format or may even be omitted altogether (if the IASB deems that the guidance is no longer applicable after the Standard is updated or that the guidance is better suited for inclusion in training material). The IASB would also have to decide whether any parts of the guidance that are not incorporated into the *IFRS for SMEs* should be retained in some fashion, for example, as an addition to the Basis for Conclusions accompanying the *IFRS for SMEs* or as part of the training material on the *IFRS for SMEs*. An alternative approach would be to continue to retain the Q&As separately where they remain relevant to the updated *IFRS for SMEs*.	(a)	Yes – the seven final Q&As should be incorporated as explained above, and deleted. NASB generally believes the Q&As should be incorporated into the standard and thereby become mandatory. However, a number of Q&As are very detailed and would need tailoring before being incorporated. This process of tailoring should in our view lead to the exclusion of excessive guidance in the Q&As, but also adding further clarifications where necessary.

	Under this approach there would be no need to reduce the guidance in the Q&As, but the guidance may need to be updated because of changes to the *IFRS for SMEs* resulting from the comprehensive review. **Should the Q&As be incorporated into the *IFRS for SMEs*?** (a) Yes—the seven final Q&As should be incorporated as explained above, and deleted. (b) No—the seven final Q&As should be retained as guidance separate from the *IFRS for SMEs*. (c) Other—please explain. Please provide reasoning to support your choice of (a), (b) or (c).		
G4	**Training material** The IFRS Foundation has developed comprehensive free-to-download self-study training material to support the implementation of the *IFRS for SMEs*. These are available on our website: http://go.ifrs.org/smetraining. In addition to your views on the questions we have raised about the *IFRS for SMEs*, we welcome any comments you may have about the training material, including any suggestions you may have on how we can improve it.	(b)	*IFRS for SM*Es has not been available for use in Norway so far, and hence we have limited experience with the training material. However, we believe it is beneficial for users of *IFRS for SMEs* to have access to high quality training material for introductory purposes, as there is limited guidance in the standard as such. We appreciate the effort by the IASB staff in providing introductory material in order to support the

	Do you have any comments on the IFRS Foundation's *IFRS for SMEs* training material available on the link above? (a) No. (b) Yes (please provide your comments).		implementation of the standard. We do, however, believe it is important to stress that the training material has no authoritative status whatsoever. We are not aware of any due process with formal approval by the IASB, and without an appropriate due process the training material must under no circumstances be perceived to represent authoritative interpretations of the *IFRS for SMEs*.
G5	**Opportunity to add any further general issues** Are there any additional issues you would like to bring to the IASB's attention relating to the *IFRS for SMEs*? (a) No. (b) Yes (please state your issues and provide separate reasoning for each issue given).	(b)	See discussion on options including the impact of "undue cost or effort", due process and label of the standard in our overall response.

Ref	General Questions	Response
G6	**Use of *IFRS for SMEs* in your jurisdiction** This question contains four sub-questions. The purpose of the questions is to give us some information about the use of the *IFRS for SMEs* in the	1 Norway 2 (d) The *IFRS for SMEs* is currently not available for use in

	jurisdictions of those responding to this Request for Information. **1 What is your country/jurisdiction?** **2 Is the *IFRS for SMEs* currently used in your country/jurisdiction?** (a) Yes, widely used by a majority of our SMEs. (b) Yes, used by some but not a majority of our SMEs. (c) No, not widely used by our SMEs. (d) Other (please explain). **3 If the *IFRS for SMEs* is used in your country/jurisdiction, in your judgement what have been the principal benefits of the *IFRS for SMEs*?** (Please give details of any benefits.) **4 If the *IFRS for SMEs* is used in your country/jurisdiction, in your judgement what have been the principal practical problems in implementing the *IFRS for SMEs*?** (Please give details of any problems.)	Norway, as per the Norwegian Accounting Act. 3 NA 4 NA